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SUBJECT: Taiwan Financial Services, Personnel Key

¶1. (U) SUMMARY: Taiwan's financial services sector is expanding quickly and experiencing high turnover. Senior staff at a number of American banks and holding companies expressed general satisfaction with the quality of local staff, saying skills are improving as the sector grows. Bringing PRC national staff to Taiwan for events and training is still a difficult and time-consuming process. Companies also have problems hiring foreign interns, due to labor regulations. AmCham and government agencies plan to hold a roundtable discussion on these issues soon. AmCham hopes to resolve some of the simpler issues quickly after the meeting. End summary.

¶2. (SBU) Taiwan's financial services sector is young, and its pool of experienced workers is still developing. Beginning in 2000, when the government first permitted the formation of financial holding companies, financial services firms began to expand quickly. Over the past several years, the sector has experienced extensive consolidation, and annual turnover rates as high as twenty percent in its staff. In 2003, the financial services sector employed 376,000 people. Demand for qualified staff is predicted to outstrip supply for the next several years. The Council for Economic Planning and Development (CEPD) has forecasted that the sector will experience shortages in professionals of 2250 people in 2005, 1900 in 2006, and 1850 in 2007. In interviews and communications with AIT, senior staff at Citibank, Bank of America, MetLife, American Express, and the American Chamber of Commerce (AmCham) in Taipei gave their perspectives on the quality of local staff, and expressed concerns about restrictions on bringing PRC national staff and interns to work in Taiwan.

Local Staff Get Mostly Rave Reviews

¶3. (SBU) Overall, contacts were satisfied with the quality of staff they have hired over the past few years. Isabell Yen, vice president and country human resources director for Citibank, told AIT she has noticed an upgrading in skills and quality of experienced staff in the sector. She ascribed it to the improvement of local financial holding companies, and said that while in the past it was difficult to find experienced foreign exchange traders, it is no longer a problem. Ten years ago, there was a strong distinction between the quality of the staffs at local and foreign banks, so foreign banks would only recruit from each other. Now, consolidation has created strong local players like Chinatrust and Fubon, so there is movement of staff among local and foreign banks. Eric Ngiam, Managing Director and CEO of Bank of America, said, "The quality of local staff has improved significantly as compared to a few years ago. They are more hard working and language level has improved too." Phee Boon Kang, senior vice president and area manager of American Express, was also positive about Taiwan's human resources. He said, "Generally, Taiwan staffs are responsive to performance incentives and are a productive lot." However, he noted that Taiwan finance professionals are also being drawn to the PRC job market. Kang said, "Recently, a trend has emerged with more and more competition for talent and experienced retail banking/cards managers coming from the PRC banks."

¶4. (SBU) Not all respondents were entirely satisfied with the quality of workers. Lee Tang, executive vice president and CFO of MetLife, said locally educated staff tend to be good learners, but are not as creative or innovative as staff educated in North America. Tang also said MetLife wasn't getting the top graduates from elite Taiwan universities, as they tend to go to high-tech rather than financial services companies. Tang told AIT that MetLife has recently experienced a shortage of qualified personnel, especially actuaries and financial engineers. Additionally, AmCham publications director Don Shapiro reported that other contacts in the sector had expressed dissatisfaction with the caliber of staff they are hiring, especially in terms of "international perspective."

15. (U) The May 2005 AmCham White Paper, which focused on HR issues, highlighted the problems that many companies experience bringing staff from the PRC to Taiwan for training or events. Financial services companies are no exception. While restrictions on business travel of PRC nationals to Taiwan have been liberalized to some degree in recent years, they are still cumbersome. Applications require extensive paperwork and long processing times, due to security background checks on applicants. Currently, an applicant requires a local Taiwan guarantor, typically a staff member who has never met the applicant, but must visit the local police station to vouch for them. Additionally, the regulations themselves are not always clear, because some government agencies are not up to date on the latest changes - causing confusion for both companies and government. AmCham has argued that these problems in bringing in PRC staff may lead companies to hold conferences and other events outside Taiwan, and even to increase their operations in other countries rather than expand in Taiwan.

16. (U) When AIT asked CEPD for a summary of the latest regulations, CEPD responded that companies wishing to bring staff with PRC passports to Taiwan must fall in one of the following categories: a) multinational companies transferring a professional staff member to work in Taiwan, for less than three years. b) Companies with either annual revenue over US\$330,000 or R&D capabilities, to bring staff with industrial or technological skills to work for periods between two months and six years. c) Companies with annual revenue over US\$330,000 (US\$166,000 for newly established companies) bringing staff to work as managers or technical personnel, or attend training or exhibitions. For short-term work, the limit is 14 days; for long-term work 3 months. CEPD said that processing time is around one month for first-time applications, but for emergency situations as short as five days. The Ministry of Economic Affairs (MOEA) reports that there are more than 1,000 applications approved per month. According to the MOEA data, average monthly approval applications have been increased some 40 percent, growing from 1,118 in 2003, to 1,433 in 2004, to 1,593 in 2005 (based on the first six-month data of 2005). The significant rise is a result of Taiwan's continuous simplification of procedures. While we can expect more Mainland China professionals to work in Taiwan as restrictions are lifted, the number is likely to remain only a small fraction of the number of Taiwanese business people residing in China. A MOEA contact told AIT that in principle, MOEA tries to review all applications and approve or deny to applicants in 5-10 days if all required documentations are provided.

17. (SBU) Isabell Yen of Citibank told AIT the visa process is one of the most important HR issues facing Citibank. Yen said currently they have few PRC staff coming to Taiwan because entry permits are so difficult to get. She said Citibank more frequently brings staff from Hong Kong and Macau, but that they also require a local guarantor, which is an unwanted responsibility for her staff. Yen reported that in her experience, the typical processing time is several months, not one month but said Citibank had not had trouble bringing in other foreigners. Yen explained that the PRC is due to open up its financial services sector in 2007 and that colleagues in Taiwan are now discussing how to gear up for expansion into China. She noted that Taiwan is best positioned to be the training ground for PRC national staff, so it would be in Taiwan's interest to open up further to short-term visits by PRC national staff.

18. (SBU) MetLife's Tang said MetLife has many PRC-born staff with US green cards working in New York, and that is difficult to get them to Taiwan for events. He said MetLife is more likely to hold regional meetings and conferences in Beijing than Taipei, because it is much easier to get participants to Beijing. Kang of American Express noted that the lead times for bringing Indian nationals especially is generally more problematic for him than PRC nationals. When asked whether he had noticed any changes in policy or procedures, Kang said, "There are improvements in terms of official attitude and case-by-case flexibility, but I still do not see a systematic, pro-active policy to be competitive in attracting foreign talents."

19. (SBU) AmCham's Shapiro said the main obstacle to change in Taiwan government is the Council of Labor Affairs, which fears an increase in competition from Mainland and foreign professionals. Shapiro said the Council is stuck in an outdated manufacturing mentality, and still believes that bringing in one foreigner costs one local person a job -- they have yet to embrace the reality that bringing one foreigner into Taiwan may create two new jobs. Shapiro said contacts at CEPD were mostly in agreement with AmCham's perspective but that AmCham has had limited discussions with the Council of Labor Affairs so far.

Would-be Interns Turned Away From Taipei

110. (SBU) A second problem that financial services companies face is the restriction against paying foreign interns. Currently, Taiwan labor law requires paid foreign interns to get work permits, and requires two years' relevant work experience to get a work permit. Because many interns do not meet this requirement, companies have problems hiring interns, and students who are interested in working in Taiwan are often driven to work elsewhere in the region, especially the PRC. In the long run, this regulation discourages professionals from getting Taiwan work experience and returning to Taiwan in the future. American Express' Kang said that due to the work experience requirement, "it has been impossible for us to consider [internships] so long as the students concerned are not ROC ID holders. Even if no compensation is involved, it will still be risky from compliance perspective for an employer to accommodate such short term internships." Kang noted that due to the regulations, his son, a Taipei American School graduate and Harvard student, was unable to find a legitimate internship while spending summers at home in Taipei - a common experience in expat families in Taiwan.

AmCham-Government Roundtable Could Make Progress

111. (SBU) The recent high profile of human resources problems has led to some movement to make changes. AmCham is planning to hold a CEO roundtable discussion on HR issues in late August or early September, with participants from both AmCham members and government agencies including CEPD and the Council of Labor Affairs. AmCham's Shapiro said their goal for the roundtable is to promote quick progress on some of the easier issues to solve, notably waiving the two-year work experience requirement for intern work permits, and making it easier for companies to offer paid internships. Shapiro told AIT that once some of the easier problems were solved, larger-scale issues like PRC national staff could be tackled. He said changes will have to come at the Executive Yuan level, and that help for problems on a case-by-case basis is not a long-term solution.

Comment

112. (U) Financial services is a growing part of the service sector, which the Taiwan government has recently emphasized as the future of its economy. Many observers have suggested that Taiwan is well positioned to market itself as an entry point and training center for companies operating in the Asia-Pacific region, especially the PRC. In order for this to happen, it will have to be easier for companies to bring their PRC staff to Taiwan for short-term visits. The need for liberalization of immigration regulations has received much attention recently from both the business community and government agencies, especially CEPD. It is possible that the upcoming AmCham - government roundtable meeting will yield some steps in the right direction. Given the speed with which the PRC is moving and U.S. companies are expanding there, Taiwan will need to move quickly. Given Taiwan's track record in recent years that will be a major challenge. End comment. (Cable prepared by AIT Econ intern Anne Bilby.)

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